

1965

REPORT

of the

President and Directors

of the

Atlanta and West Point
Rail Road Company

to the

Stockholders in Convention

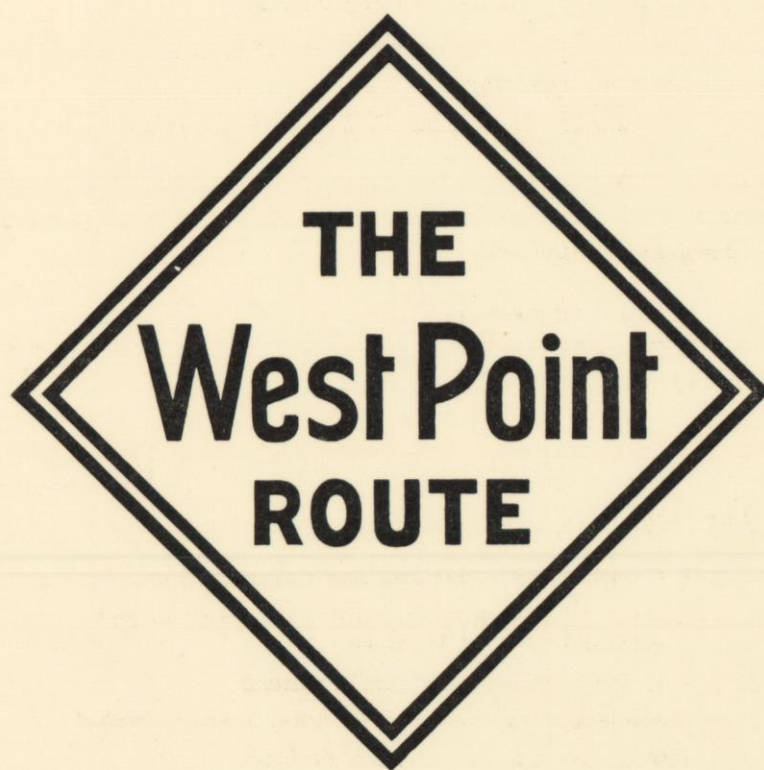
for the

Year Ended December 31, 1965

BOARDS

MRB

Q 652.0973
at 62 R



Board of Directors

J. ARCH AVARY, *Atlanta, Georgia*
EDWARD G. COLE, JR., *Newnan, Georgia*
JOHN W. DENT, *Atlanta, Georgia*
WILLIAM H. KENDALL, *Louisville, Kentucky*
JOSEPH L. LANIER, *West Point, Georgia*
J. CLYDE MIXON, *Atlanta, Georgia*
CARL J. REITH, *Atlanta, Georgia*
W. THOMAS RICE, *Jacksonville, Florida*
DONALD D. STRENCH, *Atlanta, Georgia*
Emeritus Director
SAMUEL R. YOUNG, *College Park, Georgia*

Executive Committee

WILLIAM H. KENDALL
J. CLYDE MIXON
W. THOMAS RICE

The Staff

J. CLYDE MIXON, *President and General Manager*
DONALD D. STRENCH, *Executive Vice President and
Assistant General Manager*
T. C. BULLARD, *Secretary and Treasurer*
EDENFIELD, HEYMAN AND SIZEMORE, *General Counsel*
JOHN E. MACCARTHY, *General Auditor*
E. J. HALEY, *General Superintendent*
MARSHALL L. BOWIE, *Director of Personnel*
J. B. WILSON, *Chief Engineer*
H. W. BRAY, *Purchasing Agent*
W. T. MARTIN, *Chief Traffic Officer*
A. P. MCELROY, *General Passenger Agent*

GENERAL OFFICES: 4 Hunter Street, S. E., Atlanta, Ga., 30303

APR 28 1967 Co

COMPARATIVE SUMMARY OF OPERATING AND CORPORATE RESULTS AND FINANCIAL POSITION

SOURCE OF INCOME	1965	1964	Increase or Decrease	
			Amount	Percent
Income:				
Freight.....	\$ 2,901,129	\$ 2,755,143	\$ 145,986	5.3
Passenger.....	176,887	208,329	—31,442	—15.1
Mail, express and other operations.....	410,133	450,748	—40,615	—9.0
Rent for equipment and joint facilities.....	—248,265	—204,126	—44,139	—21.6
Dividends, interest, and miscellaneous income.....	133,504	143,741	—10,237	—7.1
TOTAL.....	3,373,388	3,353,835	19,553	0.6
CHARGES AGAINST INCOME				
Railway tax accruals.....	207,354	202,985	4,369	2.2
Operating expenses:				
Maintenance of way and structures.....	441,221	435,764	5,457	1.3
Maintenance of equipment.....	687,772	689,478	—1,706	—0.2
Traffic.....	235,101	220,601	14,500	6.6
Transportation.....	1,547,499	1,534,143	13,356	0.9
Miscellaneous operations.....	24,853	32,973	—8,120	—24.6
General.....	236,910	217,375	19,535	9.0
TOTAL.....	3,173,356	3,130,334	43,022	1.4
Other deductions from income:				
Interest on debt.....	45,094	30,465	14,629	48.0
Taxes on nonoperating property.....	11,410	10,511	899	8.6
Miscellaneous.....	1,794	1,588	206	13.0
TOTAL.....	58,298	42,564	15,734	37.0
TOTAL CHARGES AGAINST INCOME.....	3,439,008	3,375,883	63,125	1.9
NET LOSS.....	65,620	22,048	43,572	197.6
Dividends to shareholders.....	98,544	98,544		
Amount available for debt reduction, improvements, and other purposes.....	—164,164	—120,592	—43,572	—36.1
Net loss per share.....	2.66	.89	1.77	197.6
Dividend payments per share.....	4.00	4.00		
FINANCIAL POSITION				
Total investments less recorded depreciation and amortization ..	\$ 6,630,107	\$ 5,999,587	\$ 630,520	10.5
Current assets.....	1,661,773	1,710,305	—48,532	—2.8
Deferred and unadjusted assets.....	186,755	224,564	—37,809	—16.8
Capital stock.....	2,463,600	2,463,600		
Long term debt—Total.....	1,345,512	724,291	621,221	85.8
Current liabilities.....	632,709	556,238	76,471	13.7
Deferred and unadjusted liabilities.....	211,810	201,159	10,651	5.3
Retained income.....	3,825,004	3,989,168	—164,164	—4.1

—Decrease.

TO THE STOCKHOLDERS:

Freight revenue for 1965 reached a level that has been unmatched since 1956. Influenced by a growing national economy and expanding industrial development in our area, such revenue increased 5.3 percent over last year. The net deficit for 1965 is for the most part attributable to increased labor costs and higher equipment rents. Passenger revenue continued to be less than satisfactory, with allied revenue elements also showing declines. Notwithstanding these revenue reductions, we were successful in maintaining a total revenue increase of 2 percent.

Under constant surveillance are those items which contribute to higher expenses and less gross revenue. The lowering of the 1965 operating ratio is evidence that progress is being made.

This report contains a summary of operations in 1965 and statements of your company's financial condition at the end of the year.

EARNINGS

Railway operating income amounted to \$180,632.36, an increase of \$24,140.64 over last year. Increased labor costs and more particularly, the \$82,336.38 charged against income for equipment rents, resulted in a deficit in net income of \$65,620.21 for 1965.

Earnings are not affected by income tax considerations due in part to the carry-over provisions of the revenue code.

DIVIDENDS

An accumulation of earnings from operations in prior years, together with the sound financial condition maintained by your company, justified a continuance of dividends. Shareholders received a dividend of \$2.00 a share as of August 1, 1965, and \$2.00 a share as of December 6, 1965.

OPERATING REVENUES

Operating revenue showed an encouraging improvement of \$71,531.62 for the year. The substantial increase in freight revenue was partially offset by the decline in other revenue elements. Other phases of the individual revenue sources are reviewed further in this report. Although operating costs continue on an upward spiral, close supervision of expenditures resulted in a modest improvement in the operating ratio.

As the national economy expands, we anticipate a corresponding rise in freight revenue—a substantial increase, that will more than offset reductions in passenger and allied revenue.

FREIGHT

Freight revenue amounted to \$2,901,128.90 for 1965, an increase of 5.3 percent over last year. Car load traffic increased 2,512 cars. While the average cars handled by other principal southern carriers increased only 3.5 percent, Atlanta and West Point Rail Road showed a 7.3 percent improvement over 1964. Originating cars of pulpwood, manufactured iron and steel, cotton products, and superphosphate showed admirable increases, with cars of other iron and steel, scrap iron, and canned goods gaining moderately.

In this report, on pages 17, 18 and 19, your attention is called to our comparative statistics on commodities, tonnage, and revenue.

Piggyback operations continued to improve, indicating our past efforts in this field have been economically fruitful, as well as providing more specialized service to our customers.

Expanding industrial development along our route offers expectations for a more encouraging freight transportation market. To take advantage of this growing market, continued emphasis is placed on our policy of attentive, prompt, and convenient service to our patrons. We were rewarded last year for this policy, and as we continually promote and upgrade our sales techniques and solicitation efforts, we confidently expect our freight revenue to grow.

PASSENGER, ALLIED AND MISCELLANEOUS

Revenue from transportation of passengers during 1965 was \$176,887.05, a decrease of \$31,441.97, or 15.1 percent over last year. The principal portion of this large decline in business occurred during the latter part of the year, occasioned by the disruption of connecting passenger service with Louisville and Nashville Railroad, by reason of extensive storm damage along its Gulf coast line.

Associated elements of passenger revenue also showed decreases; mail \$22,631.30, 9.7 percent, and express \$4,934.24, 4.8 percent. These adverse revenue results are also attributable for the most part to the disruption of connecting passenger service.

During the year, your company participated with other railroads operating in Georgia to determine cost of intra-terminal switching movements. The results when presented to the Georgia Public Service Commission were sufficiently in the railroad industry's favor to afford a substantial rate increase. We expect to realize some benefits from this undertaking although our operations include only a small volume of this source of revenue.

OPERATING EXPENSES

Operating expenses for the year aggregated \$3,173,356.47 compared with \$3,130,334.25 last year, an increase of \$43,022.22 or 1.4 percent. Included in the 1965 expenses are \$148,284.32 of wage and contractual fringe benefits in excess of similar items applicable to the preceding year. The comparison of the increase of \$43,022.22 in total operating expenses, notwithstanding the additional wage and fringe benefit costs, is indicative of the close control and supervision given to elements of expense.

The equipment acquisitions during the year consisting of fifty-seven freight cars, seven of which are cushioned underframe box cars, are contributing greatly to our system ownership of equipment. Particular benefits will be seen in future maintenance of equipment expenses due to these purchases, although some offsetting affects caused by additional depreciation charges will be reflected in the accounts.

Such innovations as wider use of radio communications, the purchase of hi-rail car for roadmasters, the strengthening of our roadway mechanization program through use of Plassermatic tamping machine, replacing a Matisa tamper, have contributed much to the control of costs.

Substantial savings were realized during 1965 resulting from the discontinuance on December 1, 1964 of the Atlanta freight office and less than carload freight operations. Joint arrangements were made with the Louisville and Nashville Railroad Company for the handling of this business.

Considerable improvements were made to the General Office building during the year. This was accomplished at negligible expense in connection with the widening of Hunter Street, a City of Atlanta project which required several feet of our street frontage.

Further utilization of electronic data processing equipment continued. Systems were designed to place trainmen, enginemen, and yardmen payrolls on machines, and this operation began working early in 1966. Other plans are being made to employ machines for recapitulation of freight revenue documents.

The accompanying graph shows the relationship maintained over a period of ten years between revenues and expenses. Others show the degree to which it has been possible to increase efficiency in the face of increasing unit cost.

RAILWAY TAX ACCRUALS

Railway tax accruals increased \$4,368.76, or 2.2

percent over 1964. Sales taxes decreased due to an act of the 1965 Georgia State Legislature which exempted locomotive and car repair parts used in interstate commerce from taxation. Railroad Retirement taxes increased resulting from tax fluctuations. During the year a very costly amendment to the Railroad Retirement Act was enacted which, effective October 1, 1965, temporarily reduced the rate that the employee and railroad each pay on the first \$450.00 of monthly earnings from 8.125 percent to 7.125 percent, but effective January 1, 1966, the rate was increased to 7.95 percent on the first \$550.00 of monthly earnings. The annual increase in cost because of this rate change is estimated to be \$13,063.68. For each employee earning \$550.00 a month or more the railroad must pay \$524.70 a year toward his retirement and the employee must contribute an equal amount which is deducted monthly from his earnings.

An analysis of the changes during 1965 in tax accruals is on page 8 of this report.

EQUIPMENT RENTS

During 1965 we paid \$90,997.30 for hire of freight cars, an increase of \$23,041.69 over 1964. Increased usage of freight cars resulting from an increase in traffic, together with expensive rental rates for cars of other railroad ownership, and greater use of private line equipment which move at higher rates, accounts for this additional cost. Our car rehabilitation program which was initiated in 1963 continued through 1965. This program, which results in greater usage of our own equipment, and the fifty-seven freight cars purchased this year, should reduce this expense considerably in the future.

WAGE AND LABOR NEGOTIATIONS

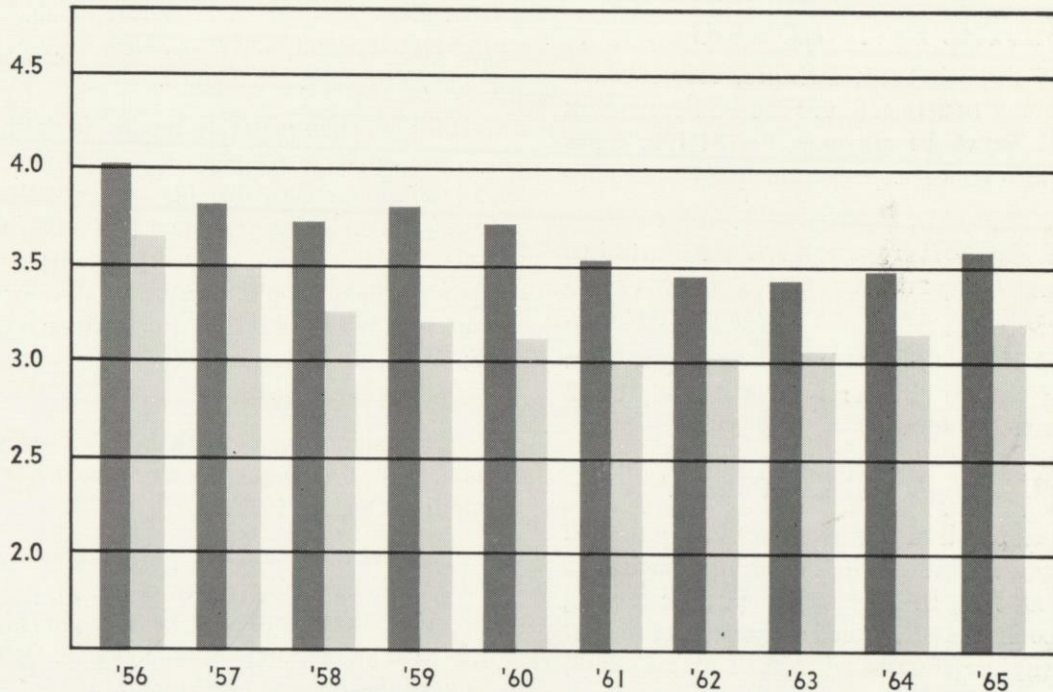
Wage agreements covering non-operating employees negotiated in 1964 provided for an additional 27 cents an hour, increasing hourly wages 9 cents effective January 1, 1964, 1965, and 1966. The additional holiday and longer vacations also awarded have added measurably to non-productive labor cost.



Unneeded firemen have been eliminated as provided by Award of Arbitration Board No. 282, which found that positions of certain firemen were not necessary for safe and efficient operations.

Presently pending are demands for an apprenticeship program for firemen, restoration of firemen on locomotives in road freight and yard service, and crew consist rules. The latter would require not less than a conductor and two trainmen in all road service, and not

**RELATIONSHIP BETWEEN OPERATING
REVENUES AND EXPENSES BY YEARS
1956 TO 1965**

MILLIONS OF DOLLARS

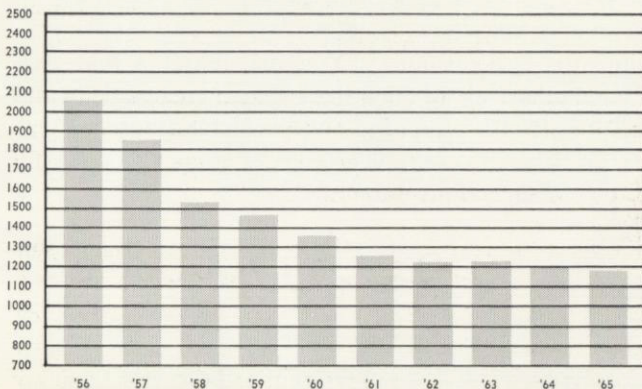


 RAILWAY OPERATING REVENUES
 RAILWAY OPERATING EXPENSES

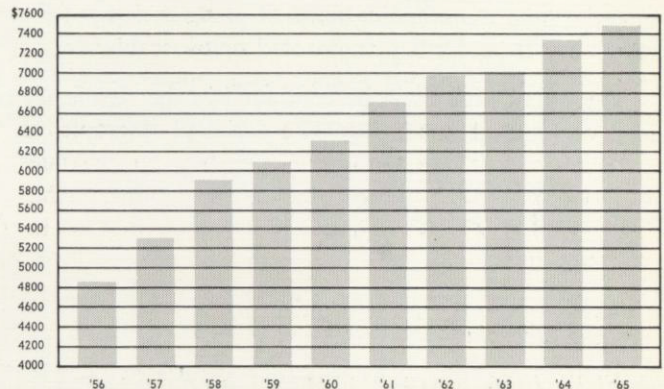
Atlanta and West Point Rail Road Company
 The Western Railway of Alabama
 Georgia Railroad

CHARTS REPRESENT TOTALS OF JOINTLY OPERATED LINES

AVERAGE NUMBER OF EMPLOYEES
1956-1965



AVERAGE COMPENSATION PER EMPLOYEE
1956-1965



less than a foreman and two switchmen in all yard service.

Presently, wage and fringe benefits are fixed for operating employees until the middle of 1966 and for non-operating employees until January 1, 1967.

CAPITAL EXPENDITURES

From 1955 through 1965, inclusive, very substantial additions and betterments to road and equipment have occurred. Between these dates, \$3,181,132.00 has been disbursed for this purpose, principally for equipment.

Principal expenditures for 1965 amounted to \$776,496.00, covering mainly purchase of seven cushioned underframe box cars, and fifty standard box cars.

At the end of 1965 debt for equipment purchases amounted to \$1,345,512.31. A reduction of \$148,314.12 was made during the year.

INDUSTRIAL DEVELOPMENT

Continued emphasis in this important field produced gratifying results. During 1965 eight new industries located on your line, and five expanded their existing facilities, reflecting the accelerated economic and general business activity presently being enjoyed by the south, especially in the vicinity of Atlanta.

Mention was made in our 1964 report of the acquisition of additional land near Fairburn. Negotiations began in 1965, and completed early in 1966, will result in a multi-million dollar development on this property by Owens-Corning Fiberglas Corporation. Construction is expected to begin in several months. This firm decided to locate on our line after reviewing approximately sixty other plant sites. We are pleased to offer transportation service to this progressive industry, and we expect the freight revenue will be substantial.

Construction on St. Joe Paper Company at College Park is expected to reach completion during 1966. This concern manufactures paper containers, and it is anticipated that by our handling of both the incoming raw material, and the outgoing finished product, our freight revenue will be further augmented considerably.

Vigorous activity will be continued in the significant field of railroad marketing. The aerial photograph on

page 7 of our College Park Industrial Area illustrates our enthusiasm as to the potential in this field.

STAFF CHANGES

During the year the following staff members retired from active service: E. P. Barbre, Manager of Industrial Development; and R. C. Neville, Supervisor, Telephone, Telegraph and Signals.

It is with deep regret we report the death on October 2, 1965, of B. A. Culpepper, Comptroller, who served so faithfully and capably for 46 years. We also regret to report the death of William N. Banks on March 20, 1965. Mr. Banks, one of Georgia's outstanding capitalists and philanthropists, served as director of The Atlanta and West Point Rail Road Company from April 17, 1950, to November 6, 1962, when he retired account of ill health.

The appointment of John E. MacCarthy to assume the duties of General Auditor was made during the month of October 1965.

The executive staff of your railroad was further strengthened by the creation of the position of Executive Vice President-Assistant General Manager. We welcomed into our organization Donald D. Strench, who assumed this position as of June 1, 1965.

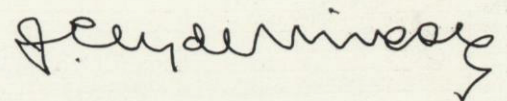
GENERAL

The Atlanta and West Point Rail Road Company occupies a strategic location in the State of Georgia — a vital transportation link to the west. Although we have reported that operations for 1965 were not as successful as we should like, we firmly and confidently believe that the future holds promise of progress, growth, and profits.

We are especially thankful for the dedicated and capable efforts of each individual officer and employee, whose interest in the progress and success of your railroad is unequaled.

We enter into 1966 with a purpose of operating at maximum efficiency and providing the best service possible for our customers. You may be sure that continued efforts along these lines are progressed daily and will result in a promising and profitable future.

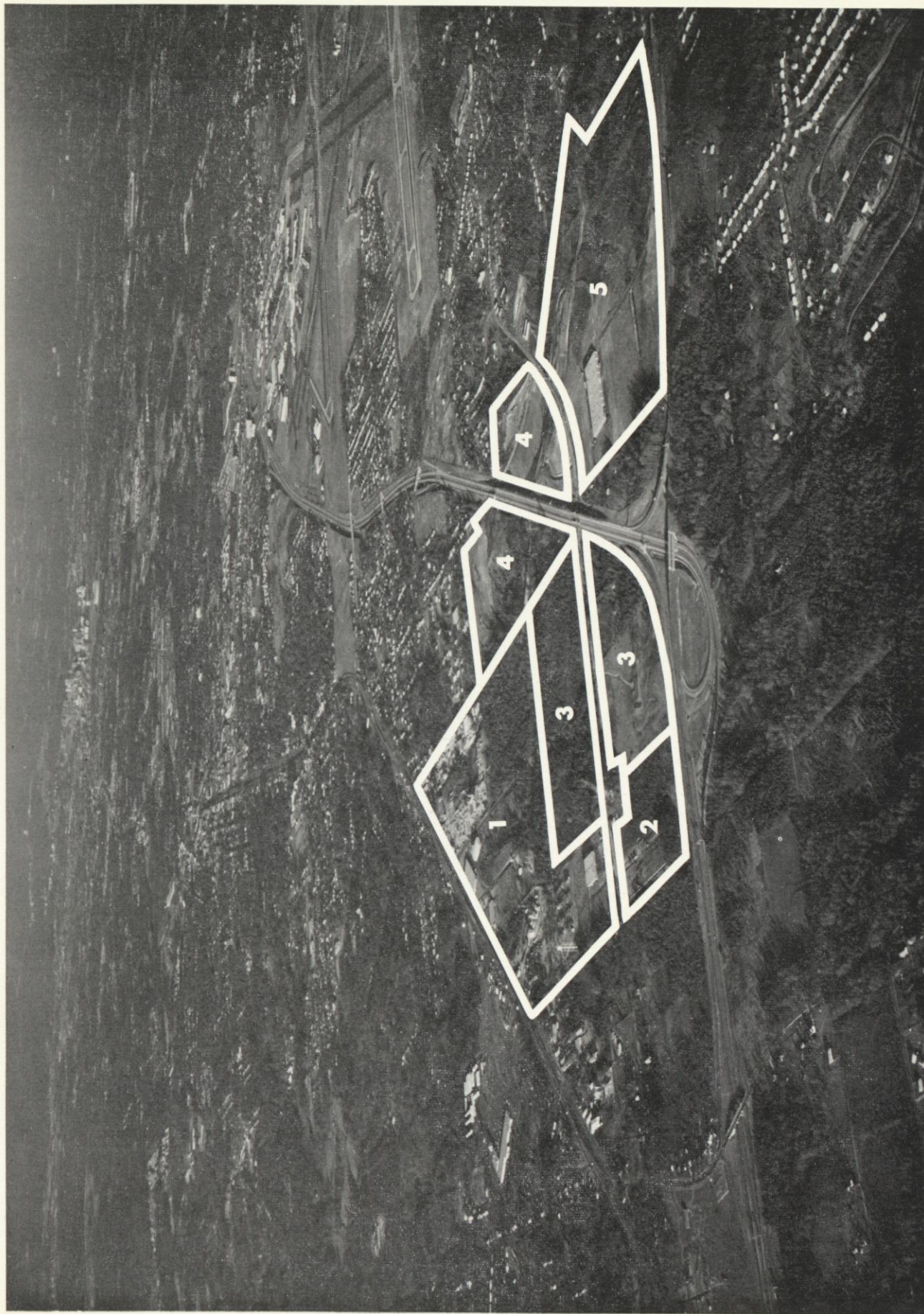
Respectfully submitted,



President and General Manager

Atlanta, Georgia

April 27, 1966



COLLEGE PARK INDUSTRIAL AREA

1. A&WP Industrial Park 2. St. Joe Paper Co. 3. Airport Perimeter Park 4. Southwest Industrial Park 5. South Perimeter Industrial Park.
- Note connection between I-85 and I-285 expressways, also Atlanta airport (right center) and downtown Atlanta skyline (upper center).

MILEAGE OPERATED

Miles of road operated at December 31, 1965:

MAIN LINE:

Atlanta to West Point.....	85.72		
Less—Leased to Atlanta Terminal Company.....	0.10	85.62	
Hulsey Junction to Oakland City.....		5.16	90.78

TRACKAGE RIGHTS:

Atlanta Terminal Company, Atlanta.....	0.46		
Central of Georgia Railway, Oakland Junction.....	0.05		
Georgia Railroad (Atlanta Joint Terminals).....	2.02		2.53
Total mileage operated.....			93.31

Total mileage operated in freight and passenger service was 90.44 and 86.08 miles, respectively.

TAXES

The following items were accrued:

The following items were accrued:			Increase —Decrease	
	1965	1964	Amount	Per Cent
UNITED STATES GOVERNMENT TAXES:				
Railroad Retirement.....	\$ 89,727	\$ 84,183	\$ 5,544	6.59
Unemployment Insurance.....	41,067	42,140	—1,073	—2.55
Other.....	1,026	884	142	16.06
Total.....	131,820	127,207	4,613	3.63
STATE AND LOCAL TAXES:				
Property.....	54,490	54,090	400	0.74
Sales and use.....	18,227	18,883	—656	—3.47
Other.....	2,817	2,805	12	0.43
Total.....	75,534	75,778	—244	—0.32
TOTAL.....	207,354	202,985	4,369	2.15
Taxes on nonoperating property.....	11,410	10,511	899	8.55
GRAND TOTAL.....	\$ 218,764	\$ 213,496	\$ 5,268	2.47

—Decrease

HASKINS & SELLS

ACCOUNTANTS

ATLANTA

ACCOUNTANTS' OPINION

Atlanta and West Point Rail Road Company:

We have examined the balance sheet of Atlanta and West Point Rail Road Company as of December 31, 1965 and the related statements of income and of retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Company maintains its accounts in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission and the accompanying financial statements have been prepared in accordance therewith. As explained in note 1, the provisions of such system vary in certain respects from generally accepted accounting principles.

In our opinion, with the exception referred to in the preceding paragraph, the accompanying financial statements present fairly the financial position of the Company at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

April 15, 1966

BALANCE SHEET

ASSETS

	December 31	
	1965	1964
CURRENT ASSETS:		
Cash.....	\$ 206,962.85	\$ 180,985.57
Temporary cash investments.....	977,805.00	1,106,331.00
Net balance receivable from agents.....	76,640.55	71,600.89
Miscellaneous accounts receivable.....	40,857.16	53,801.84
Accrued accounts receivable.....	139,064.00	31,073.49
Material and supplies.....	198,900.17	250,478.27
Prepayments and other current assets.....	21,543.53	16,033.44
Total.....	1,661,773.26	1,710,304.50
SPECIAL FUND:		
Insurance.....	2,402.90	2,089.95
INVESTMENTS:		
Investments in affiliated companies.....	232,540.78	231,809.59
PROPERTIES:		
Transportation—		
Road and equipment.....	11,166,301.44	10,540,151.40
Less accrued depreciation and amortization.....	5,077,536.48	5,011,039.40
Total transportation property, less recorded depreciation and amortization.....	6,088,764.96	5,529,112.00
Miscellaneous.....	482,907.43	412,770.60
Less accrued depreciation.....	174,104.71	174,104.71
Total miscellaneous property, less recorded depreciation.....	308,802.72	238,665.89
Total properties, less recorded depreciation and amortization.....	6,397,567.68	5,767,777.89
OTHER ASSETS AND DEFERRED CHARGES:		
Other assets.....	29,117.56	14,528.23
Deferred charges.....	155,233.95	207,946.32
Total.....	184,351.51	222,474.55
TOTAL.....	\$ 8,478,636.13	\$ 7,934,456.48

BALANCE SHEET
LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31	
	1965	1964
CURRENT LIABILITIES:		
Traffic and car-service balances—net.....	\$ 145,413.27	\$ 125,307.69
Audited accounts payable.....	125,332.27	128,790.82
Miscellaneous accounts payable.....	176,217.96	115,964.88
Unmatured interest accrued.....	1,536.89	1,727.67
Accrued accounts payable.....	182,942.42	183,648.74
Taxes accrued.....	1,266.57	797.81
Total (exclusive of long-term debt due within one year).....	632,709.38	556,237.61
LONG-TERM DEBT DUE WITHIN ONE YEAR:		
Equipment obligations.....	155,350.32	125,037.92
LONG-TERM DEBT:		
Equipment obligations.....	1,190,161.99	599,253.41
RESERVE:		
Insurance.....	124,803.43	127,181.72
OTHER LIABILITIES AND DEFERRED CREDITS:		
Other liabilities.....	3,585.04	3,002.48
Deferred credits.....	83,421.90	70,975.06
Total.....	87,006.94	73,977.54
SHAREHOLDERS' EQUITY:		
Capital stock—authorized, 25,000 shares of \$100 par value each; outstanding, 24,636 shares.....	2,463,600.00	2,463,600.00
Retained income.....	3,825,004.07	3,989,168.28
Total.....	6,288,604.07	6,452,768.28
TOTAL	\$ 8,478,636.13	\$ 7,934,456.48

See the accompanying Notes to Financial Statements.

STATEMENT OF INCOME

OPERATING INCOME:	1965	1964	Increase or Decrease
Railway Operating Income:			
Railway operating revenues.....	\$ 3,561,342.57	\$ 3,489,810.95	\$ 71,531.62
Railway operating expenses.....	3,173,356.47	3,130,334.25	43,022.22
Net revenue from railway operations.....	387,986.10	359,476.70	28,509.40
Railway tax accruals.....	207,353.74	202,984.98	4,368.76
Railway operating income.....	180,632.36	156,491.72	24,140.64
Rent Income:			
Rent from locomotives.....	8,631.86	9,121.39	—489.53
Rent from passenger-train cars.....	69,004.55	79,240.54	—10,235.99
Rent from work equipment.....	4,754.04	5,034.90	—280.86
Joint facility rent income.....	18,920.87	25,073.65	—6,152.78
Total rent income.....	101,311.32	118,470.48	—17,159.16
Rent Payable:			
Hire of freight cars—net.....	90,997.30	67,955.61	23,041.69
Rent for locomotives.....	13,406.95	14,151.99	—745.04
Rent for passenger-train cars.....	58,432.22	64,654.34	—6,222.12
Rent for work equipment.....	1,890.36	1,001.53	888.83
Joint facility rents.....	258,043.11	250,423.56	7,619.55
Total rent payable.....	422,769.94	398,187.03	24,582.91
Net rent payable.....	321,458.62	279,716.55	41,742.07
Net railway operating income.....	—140,826.26	—123,224.83	—17,601.43
OTHER INCOME:			
Miscellaneous rents.....	49,070.46	43,925.29	5,145.17
Income from nonoperating property.....	35,116.13	33,934.64	1,181.49
Dividends.....	2,292.50	2,877.50	—585.00
Interest.....	45,457.93	45,737.95	—280.02
Miscellaneous, property sales, etc.....	1,566.63	17,265.79	—15,699.16
Total other income.....	133,503.65	143,741.17	—10,237.52
Total income.....	—7,322.61	20,516.34	—27,838.95
MISCELLANEOUS DEDUCTIONS FROM INCOME:			
Rents.....	864.09	1,206.80	—342.71
Tax accruals.....	11,410.22	10,511.47	898.75
Income charges.....	452.80	380.74	72.06
Total miscellaneous deductions.....	12,727.11	12,099.01	628.10
Income available for fixed charges.....	—20,049.72	8,417.33	—28,467.05
FIXED CHARGES:			
Interest on funded debt.....	45,094.15	30,464.97	14,629.18
Amortization of discount on funded debt.....	476.34		476.34
Total fixed charges.....	45,570.49	30,464.97	15,105.52
NET LOSS	\$ 65,620.21	\$ 22,047.64	\$ 43,572.57

—Decrease.

See Note 1 in the accompanying Notes to Financial Statements.

STATEMENT OF RETAINED INCOME

CREDITS

Retained income, January 1, 1965.....				\$ 3,989,168.28
---------------------------------------	--	--	--	-----------------

DEBITS

Net loss for the year.....				\$ 65,620.21
Dividends to shareholders:				
\$2 a share paid August 1, 1965.....	\$ 49,272.00			
\$2 a share paid December 6, 1965.....	49,272.00	98,544.00	164,164.21	
Retained income, December 31, 1965.....				<u>\$ 3,825,004.07</u>

NOTES TO FINANCIAL STATEMENTS

1. The provisions of the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission vary from generally accepted accounting principles in that, under the Uniform System, no accounting recognition is given to the possible effect on income taxes in future years of current reductions in income taxes resulting from the deductions for amortization and depreciation of property for income tax purposes in excess of the amounts recorded in the accounts. The cumulative amount of such reductions in income taxes included in retained income at December 31, 1965 was \$481,000. This property became fully amortized for income tax purposes in 1961. In 1965 there was no effect on income taxes because there was no taxable income for that year.
2. The Company, together with Southern Railway Company and Central of Georgia Railway Company, jointly and severally guarantees unconditionally the payment of principal and interest of the first mortgage series A, 4% bonds of Atlanta Terminal Company due August 1, 1969, of which \$368,000 were outstanding at December 31, 1965.

OPERATING EXPENSES

ACCOUNT	1965	1964	Increase or Decrease
Maintenance of Way and Structures:			
201 Superintendence	\$ 32,689.09	\$ 35,105.62	\$ -2,416.53
202 Roadway maintenance	37,741.12	38,508.35	-767.23
208 Bridges, trestles and culverts	1,390.76	796.77	593.99
212 Ties	31,543.89	28,916.65	2,627.24
214 Rails	4,561.16	4,856.20	-295.04
216 Other track material	2,694.24	5,343.22	-2,648.98
218 Ballast	16,643.35	12,780.68	3,862.67
220 Track laying and surfacing	37,946.25	52,545.79	-14,599.54
221 Fences, snowsheds, and signs	836.77	208.03	628.74
227 Station and office buildings	6,365.60	11,032.13	-4,666.53
229 Roadway buildings	1,753.65	16.27	1,737.38
233 Fuel stations	1.69	1.02	.67
235 Shops and enginehouses	-25.29		-25.29
247 Communication systems	10,658.82	10,034.84	623.98
249 Signals and interlockers	24,145.89	21,479.54	2,666.35
266 Road property—Depreciation:			
Engineering	1,085.76	1,088.76	-3.00
Grading	408.60	405.72	2.88
Tunnels and subways	395.04	395.04	
Bridges, trestles and culverts	11,113.41	11,078.40	35.01
Rails	39,121.32	38,440.56	680.76
Other track material	24,749.16	24,561.36	187.80
Fences, snowsheds and signs	519.36	519.36	
Station and office buildings	5,877.20	6,807.25	-930.05
Fuel stations	134.04	134.04	
Communication systems	1,405.66	1,387.10	18.56
Signals and interlockers	4,474.44	4,473.67	.77
Roadway machines	9,714.12	11,077.80	-1,363.68
Public improvements—Construction	3,126.60	3,149.76	-23.16
267 Retirements—Road	2,768.88	5,968.67	-3,199.79
269 Roadway machines	15,086.66	14,758.80	327.86
270 Dismantling retired road property	2,106.34	788.56	1,317.78
271 Small tools and supplies	8,133.83	8,045.58	88.25
272 Removing snow, ice and sand	88.71	199.13	-110.42
273 Public improvements—Maintenance	6,507.60	6,215.49	292.11
274 Injuries to persons	1,733.46	1,371.30	362.16
275 Insurance	424.23	753.69	-329.46
276 Stationery and printing	558.96	444.62	114.34
277 Employees health and welfare benefits	8,236.35	8,847.27	-610.92
278 Maintaining joint tracks, yards and other facilities—Debit	93,137.54	69,326.54	23,811.00
279 Maintaining joint tracks, yards and other facilities—Credit	-8,680.44	-6,084.75	-2,595.69
282 Other expenses	47.50	-14.75	62.25
Total	441,221.32	435,764.08	5,457.24
Maintenance of Equipment:			
301 Superintendence	22,387.49	20,297.16	2,090.33
311 Other locomotives—Repairs	150,564.89	170,533.63	-19,968.74
314 Freight train cars—Repairs	208,850.58	202,608.05	6,242.53
317 Passenger train cars—Repairs	81,331.96	79,963.06	1,368.90
326 Work equipment—Repairs	1,684.61	4,966.15	-3,281.54
328 Miscellaneous equipment—Repairs	2,845.93	2,263.48	582.45
331 Equipment—Depreciation	176,748.80	172,372.87	4,375.93
332 Injuries to persons	1,712.52	1,686.67	25.85
333 Insurance	2,159.81	2,385.04	-225.23
334 Stationery and printing	623.39	1,165.86	-542.47
335 Employees health and welfare benefits	15,263.48	15,564.15	-300.67
336 Joint maintenance of equipment expenses—Debit	24,658.87	15,939.20	8,719.67
337 Joint maintenance of equipment expenses—Credit	-1,092.31	-290.85	-801.46
339 Other expenses	32.12	23.51	8.61
Total	\$ 687,772.14	\$ 689,477.98	\$ -1,705.84

—Decrease.

OPERATING EXPENSES

ACCOUNT	1965	1964	Increase or Decrease
Traffic:			
351 Superintendence	\$ 57,989.87	\$ 54,890.91	\$ 3,098.96
352 Outside agencies	140,604.04	129,542.40	11,061.64
353 Advertising	2,411.36	1,829.92	581.44
354 Traffic associations	3,566.32	3,585.10	-18.78
356 Industrial and immigration bureaus	9,836.37	10,311.62	-475.25
357 Insurance	69.10	69.71	-.61
358 Stationery and printing	13,199.01	13,302.37	-103.36
359 Employees health and welfare benefits	7,425.01	7,068.51	356.50
Total	235,101.08	220,600.54	14,500.54
Transportation—Rail Line:			
371 Superintendence	28,338.59	24,337.34	4,001.25
372 Dispatching trains	15,534.76	15,072.97	461.79
373 Station employees	166,755.31	157,664.75	9,090.56
374 Weighing, inspection and demurrage bureaus	6,197.41	7,715.99	-1,518.58
376 Station supplies and expenses	7,768.32	7,507.57	260.75
378 Yard conductors and brakemen	49,501.71	44,807.12	4,694.59
380 Yard enginemen	30,596.11	28,182.81	2,413.30
382 Yard switching fuel	4,394.41	3,246.92	1,147.49
387 Other supplies for yard locomotives	175.46	252.69	-77.23
388 Enginehouse expenses—Yard		80.54	-80.54
389 Yard supplies and expenses		6.86	-6.86
390 Operating joint yards and terminals—Debit	545,443.93	556,868.01	-11,424.08
391 Operating joint yards and terminals—Credit	-86,304.33	-73,068.25	-13,236.08
392 Train enginemen	148,101.81	161,932.12	-13,830.31
394 Train fuel	136,811.06	134,826.07	1,984.99
397 Water for train locomotives	1,169.57	1,086.01	83.56
398 Lubricants for train locomotives	11,861.66	12,245.87	-384.21
399 Other supplies for train locomotives	2,197.91	2,195.70	2.21
400 Enginehouse expenses—Train	50,892.41	49,884.79	1,007.62
401 Trainmen	220,709.40	212,937.57	7,771.83
402 Train supplies and expenses	64,784.14	53,767.54	11,016.60
403 Operating sleeping cars	36,615.89	32,939.72	3,676.17
404 Signal and interlocker operation	11,551.89	9,591.91	1,959.98
405 Crossing protection	366.95	772.73	-405.78
407 Communication system operation	5,127.68	5,081.42	46.26
409 Employees health and welfare benefits	27,325.47	21,668.31	5,657.16
410 Stationery and printing	5,504.39	6,330.17	-825.78
411 Other expenses	290.76	931.02	-640.26
412 Operating joint tracks and facilities—Debit	16,971.90	14,654.75	2,317.15
413 Operating joint tracks and facilities—Credit	-9,117.42	-8,033.11	-1,084.31
414 Insurance	7,080.62	7,925.64	-845.02
415 Clearing wrecks	2,185.03	285.88	1,899.15
416 Damage to property	2,340.22	3,692.80	-1,352.58
418 Loss and damage—Freight	29,302.42	25,513.93	3,788.49
419 Loss and damage—Baggage	18.61	30.74	-12.13
420 Injuries to persons	7,005.59	11,206.50	-4,200.91
Total	1,547,499.64	1,534,143.40	13,356.24
Miscellaneous Operations:			
441 Dining and buffet service	24,183.24	32,064.38	-7,881.14
449 Employees health and welfare benefits	669.32	908.56	-239.24
Total	24,852.56	32,972.94	-8,120.38
General:			
451 Salaries and expenses of general officers	39,353.64	35,040.96	4,312.68
452 Salaries and expenses of clerks and attendants	124,535.97	112,511.07	12,024.90
453 General office supplies and expenses	16,383.92	16,702.47	-318.55
454 Law expenses	12,437.53	11,406.61	1,030.92
455 Insurance	97.25	107.71	-10.46
456 Employees health and welfare benefits	7,541.26	6,504.81	1,036.45
457 Pensions	7,344.24	6,258.87	1,085.37
458 Stationery and printing	8,873.78	8,721.03	152.75
460 Other expenses	7,007.08	6,815.12	191.96
461 General joint facilities—Debit	13,335.06	13,306.66	28.40
Total	236,909.73	217,375.31	19,534.42
Total railway operating expenses	\$ 3,173,356.47	\$ 3,130,334.25	\$ 43,022.22
Ratio of operating expenses to operating revenues	89.11	89.70	-.59

—Decrease.

RAILWAY OPERATING REVENUES

YEAR ENDED DECEMBER 31	Freight	Passenger	Mail	Express	All Other Transportation	Incidental	Joint Facility- Credit	Joint Facility- Debit	Total Railway Operating Revenues
1956	\$3,001,663.72	\$ 364,751.65	\$ 208,691.30	\$ 195,818.83	\$ 73,892.28	\$ 95,717.03	\$ 131,763.43	\$ 289.86	\$4,072,008.38
1957	2,818,767.31	341,992.42	228,678.35	165,689.09	72,444.67	86,359.63	105,428.44	97.56	3,819,262.35
1958	2,718,845.76	286,998.28	241,616.42	162,880.15	74,546.85	75,120.84	98,352.37	98.36	3,658,262.31
1959	2,878,895.10	260,690.17	222,552.02	211,151.19	71,607.23	78,827.36	91,168.70	131.84	3,814,759.93
1960	2,792,647.11	262,142.70	203,783.66	179,453.23	67,308.09	88,203.03	78,209.72	104.18	3,671,643.36
1961	2,720,426.20	247,665.21	229,351.50	143,168.38	39,397.04	77,232.92	77,011.46	127.02	3,534,125.69
1962	2,636,943.56	237,875.55	231,136.49	100,390.20	30,637.39	80,753.16	76,620.56	126.19	3,414,230.72
1963	2,656,269.83	235,885.30	239,467.12	94,161.19	26,395.94	74,966.61	73,854.06	124.79	3,400,875.26
1964	2,755,142.60	208,329.02	233,790.94	102,015.82	27,187.94	87,754.06	75,723.86	133.29	3,489,810.95
1965	2,901,128.90	176,887.05	211,159.64	97,081.58	22,872.95	79,019.31	73,338.30	145.16	3,561,342.57

RAILWAY OPERATING EXPENSES AND NET REVENUE FROM RAILWAY OPERATIONS

YEAR ENDED DECEMBER 31	Maintenance of Way and Structures	Maintenance of Equipment	Traffic	Transportation	Miscellaneous	General	Total Railway Operating Expenses	Net Revenue From Railway Operations	Ratio Operating Expenses to Operating Revenues
1956	\$ 555,446.05	\$ 784,112.47	\$ 205,817.79	\$1,767,205.16	\$ 56,796.23	\$ 213,973.36	\$3,583,351.06	\$ 488,657.32	88.00
1957	517,372.51	727,617.46	209,546.83	1,779,147.73	40,711.20	216,271.22	3,490,666.95	328,595.40	91.40
1958	444,763.18	620,883.96	203,234.04	1,751,067.41	37,237.98	217,418.78	3,274,605.35	383,656.96	89.51
1959	504,720.90	625,446.24	215,700.16	1,608,153.81	40,835.95	217,748.54	3,212,605.60	602,154.33	84.22
1960	475,714.42	594,053.50	218,400.72	1,559,452.04	40,066.95	228,566.47	3,116,254.10	555,389.26	84.87
1961	406,862.22	574,269.28	226,446.56	1,519,164.02	41,173.42	216,359.15	2,984,274.65	549,851.04	84.44
1962	449,873.43	571,609.85	231,871.30	1,505,374.71	40,297.59	219,939.14	3,018,966.02	395,264.70	88.42
1963	410,192.47	639,895.45	216,847.71	1,474,871.32	41,972.46	218,376.84	3,022,156.25	378,719.01	88.86
1964	435,764.08	689,477.98	220,600.54	1,534,143.40	32,972.94	217,375.31	3,130,334.25	359,476.70	89.70
1965	441,221.32	687,772.14	235,101.08	1,547,499.64	24,852.56	236,909.73	3,173,356.47	387,986.10	89.11

CLASSIFICATION OF FREIGHT TRAFFIC

COMMODITY	1965		1964		Increase or Decrease TONS
	No. of TONS	Pct. to TOTAL TONS	No. of TONS	Pct. to TOTAL TONS	
Farm Products					
Cotton.....	156,308	5.34	159,535	6.00	-3,227
Potatoes.....	4,330	0.15	5,668	0.21	-1,338
Others.....	18,231	0.62	15,887	0.60	2,344
Total.....	178,869	6.11	181,090	6.81	-2,221
Forest Products	5,035	0.17	4,532	0.17	503
Fish and Other Marine Products	245	0.01	295	0.01	-50
Metallic Ores	197,901	6.76	180,797	6.80	17,104
Coal	19,635	0.67	21,684	0.82	-2,049
Crude Petroleum, Natural Gas and Natural Gasoline			94	0.00	-94
Nonmetallic Minerals, Except Fuels					
Gravel.....	59,838	2.04	66,994	2.52	-7,156
Sand.....	266,034	9.09	250,923	9.44	15,111
Stone.....	153,863	5.26	156,920	5.90	-3,057
Others.....	62,826	2.15	52,496	1.97	10,330
Total.....	542,561	18.54	527,333	19.83	15,228
Ordinance and Accessories	766	0.03	806	0.03	-40
Foods and Kindred Products					
Canned Fruits and Vegetables.....	9,032	0.31	9,534	0.36	-502
Cottonseed and Soybean Oil.....	44,089	1.51	38,867	1.46	5,222
Flour.....	30,203	1.03	24,578	0.93	5,625
Prepared Foods.....	14,948	0.51	11,388	0.43	3,560
Sugar.....	51,011	1.74	52,506	1.97	-1,495
Others.....	100,891	3.45	98,642	3.71	2,249
Total.....	250,174	8.55	235,515	8.86	14,659
Tobacco Products	3,809	0.13	3,213	0.12	596
Basic Textiles	29,060	0.99	25,933	0.98	3,127
Apparel and Other Finished Textile Products, Including Knitted	1,588	0.05	833	0.03	755
Lumber and Wood Products, Except Furniture					
Lumber.....	83,391	2.85	80,902	3.04	2,489
Pulpwood Logs.....	70,972	2.43	51,469	1.93	19,503
Veneer and Plywood.....	51,020	1.74	45,671	1.72	5,349
Others.....	30,790	1.06	21,712	0.82	9,078
Total.....	236,173	8.08	199,754	7.51	36,419
Furniture and Fixtures	8,727	0.30	7,928	0.30	799
Pulp, Paper and Allied Products					
Paper, Bags and Boxes.....	62,670	2.14	63,334	2.38	-664
Paperboard, Pulpboard, etc.....	170,278	5.82	142,118	5.34	28,160
Others.....	40,894	1.40	25,710	0.97	15,184
Total.....	273,842	9.36	231,162	8.69	42,680
Printed Matter	1,139	0.04	397	0.01	742
Chemicals and Allied Products					
Alcohols.....	72,091	2.46	66,232	2.49	5,859
Chemicals.....	223,004	7.62	140,392	5.28	82,612
Fertilizers.....	42,722	1.46	27,001	1.02	15,721
Others.....	98,844	3.38	188,622	7.09	-89,778
Total.....	436,661	14.92	422,247	15.88	14,414
Petroleum and Coal Products					
Gasoline.....	493	0.02	5,399	0.20	-4,906
Liquefied Petroleum Gases.....	50,480	1.72	65,888	2.48	-15,408
Lubricating Oil and Greases.....	20,805	0.71	15,337	0.58	5,468
Others.....	99,464	3.40	59,757	2.24	39,707
Total.....	171,242	5.85	146,381	5.50	24,861

—Decrease

CLASSIFICATION OF FREIGHT TRAFFIC

COMMODITY	1965		1964		Increase or Decrease TONS
	No. of TONS	Pct. to TOTAL TONS	No. of TONS	Pct. to TOTAL TONS	
Rubber and Miscellaneous Plastic Products	6,489	0.22	6,703	0.25	—214
Leather and Leather Products			357	0.01	—357
Stone, Clay and Glass Products					
Abrasives, Asbestos, etc.	69,111	2.36	40,955	1.54	28,156
Brick	93,351	3.19	41,587	1.56	51,764
Cement	107,388	3.67	103,969	3.91	3,419
Others	38,402	1.32	42,526	1.60	—4,124
Total	308,252	10.54	229,037	8.61	79,215
Primary Metal Products	103,870	3.55	82,180	3.09	21,690
Fabricated Metal Products, Except Ordnance					
Machinery and Transportation	34,961	1.19	32,340	1.22	2,621
Machinery, Except Electrical	8,696	0.30	10,384	0.39	—1,688
Electrical Machinery, Equipment and Supplies	7,908	0.27	8,614	0.32	—706
Transportation Equipment	10,282	0.35	11,010	0.41	—728
Instruments, Photographic and Optical Goods,					
Watches and Clocks	55	0.00			55
Miscellaneous Products of Manufacturing	1,821	0.06	2,518	0.09	—697
Waste and Scrap Materials					
Iron and Steel Scrap	17,038	0.58	19,047	0.72	—2,009
Textile Waste, Scrap and Sweepings	42,831	1.47	34,461	1.30	8,370
Others	19,302	0.66	19,612	0.73	—310
Total	79,171	2.71	73,120	2.75	6,051
Miscellaneous Freight Shipments	1,885	0.07	4,992	0.19	—3,107
Containers, Shipping, Returned Empty	578	0.02	885	0.03	—307
Freight Forwarder Traffic	70	0.00	142	0.01	—72
Shipper Association or Similar Traffic	992	0.03	965	0.04	27
Miscellaneous Mixed Shipments, Except Forwarder and Shipper Association	1,235	0.04	2,742	0.10	—1,477
Grand Total Carload Traffic	2,923,722	99.91	2,655,983	99.86	267,739
Small Packaged Freight Shipments	2,658	0.09	3,617	0.14	—959
Grand Total Carload and LCL Traffic	2,926,380	100.00	2,659,600	100.00	266,780

—Decrease

FREIGHT AND PASSENGER STATISTICS

FREIGHT TRAFFIC	1965	1964	Increase or Decrease	
			Amount	Percent
1 Number of tons carried.....	2,926,380	2,659,491	266,889	10.03
2 Number of tons carried one mile.....	209,042,747	190,738,735	18,304,012	9.60
3 Number of tons per mile of road (Average).....	32,357	29,406	2,950	10.03
4 Number of tons carried one mile per mile of road.....	2,311,397	2,109,009	202,388	9.60
5 Number of tons in each train (Average).....	1,098.90	988.66	110.24	11.15
6 Number of tons in each loaded car (Average).....	30.51	29.14	1.37	4.70
7 Average distance one ton carried (Miles).....	71.44	71.72	-0.28	-0.39
8 Revenue per ton per mile.....	\$ 0.01388	\$ 0.01444	\$ -0.56	-3.88
9 Revenue per mile of road.....	32,077.94	30,463.76	1,614.18	5.30
10 Revenue per freight train mile.....	20.59	19.07	1.52	7.97
11 Revenue per freight car mile—Loads.....	0.57161	0.56191	0.00970	1.73
12 Revenue per freight car mile—Total.....	0.36517	0.35743	0.00774	2.17
13 Revenue per ton.....	0.99	1.04	-0.05	-4.81
PASSENGER TRAFFIC				
1 Number of passengers carried.....	68,427	80,112	-11,685	-14.59
2 Number of passengers carried one mile.....	5,709,953	6,710,957	-1,001,004	-14.92
3 Number of passengers per mile of road (Average).....	795	931	-136	-14.61
4 Number of pass. carried one mile per mile of road.....	66,333	77,962	-11,629	-14.92
5 Number of passengers in each train (Average).....	50	55	-5	-9.09
6 Number of passengers in each car (Average).....	14	14		
7 Average distance each passenger (Miles).....	83.45	83.77	-0.32	-0.38
8 †Passenger service train revenue per mile of road.....	\$ 5,645.25	\$ 6,340.37	\$ -695.12	-10.96
9 †Passenger service train revenue per pass. train mile.....	4.12	4.36	-0.24	-5.50
10 †Passenger service train revenue per pass. car mile.....	0.47398	0.47307	0.00091	0.19
11 *Revenue per passenger per mile.....	0.03098	0.03104	-0.00006	-0.19
12 *Revenue per passenger.....	2.59	2.60	-0.01	-0.38
ALL TRAFFIC				
Railway operating revenues per mile of road.....	\$ 38,166.78	\$ 37,400.18	\$ 766.60	2.05
Railway operating revenues per revenue train mile.....	13.76	12.94	0.82	6.34
Railway operating expenses per mile of road.....	\$ 34,008.75	\$ 33,547.68	\$ 461.07	1.37
Railway operating expenses per revenue train mile.....	12.27	11.61	0.66	5.68
Per cent of railway operating expenses to oper. revenue.....	89.11	89.70	-0.59	-0.66
Net revenue per mile of road.....	\$ 4,158.03	\$ 3,852.50	\$ 305.53	7.93
Net revenue per revenue train mile.....	1.49	1.33	0.16	12.03
Per cent of net revenue to total revenue.....	10.89	10.30	0.59	5.73
Railway operating expenses and taxes per mile of road.....	\$ 36,230.95	\$ 35,723.07	\$ 507.88	1.42
Railway operating expenses and taxes per rev. train mile.....	13.07	12.36	0.71	5.74
Per cent of operating expenses and taxes to total revenues.....	94.93	95.52	-0.59	-0.62

* Revenue excludes mail, express, excess baggage, and other passenger-train.

† Revenue includes mail, express, excess baggage, and other passenger-train.

—Decrease.

TRAIN, LOCOMOTIVE AND CAR MILES

CLASS		1965	1964	Increase or Decrease
TRAIN MILES				
801	Freight.....	140,908	144,499	-3,591
802	Passenger.....	117,819	125,172	-7,353
Total Revenue Service Train Miles.....		258,727	269,671	-10,944
805	Non-Revenue Service Train Miles.....	368	792	-424
TOTAL TRAIN MILES.....		259,095	270,463	-11,368
LOCOMOTIVE MILES				
811	Freight—Principal.....	140,908	144,499	-3,591
	Freight—Trailing Units.....	229,890	219,555	10,335
812	Passenger—Principal.....	117,819	125,172	-7,353
	Passenger—Trailing Units.....	134,493	138,765	-4,272
	Passenger—Light.....	8,835	9,261	-426
815	Switching—Train.....	68,710	66,453	2,257
816	Switching—Yard—Freight.....	26,730	23,100	630
Total Revenue Locomotive Miles.....		727,385	729,805	-2,420
817	Non-Revenue Locomotive Miles.....	368	792	-424
TOTAL LOCOMOTIVE MILES.....		727,753	730,597	-2,844
FREIGHT CAR MILES				
821	Freight Loaded.....	5,075,333	4,903,194	172,139
	Freight Empty.....	2,740,662	2,670,119	70,543
	System Caboose.....	128,580	134,787	-6,207
Total Freight Car Miles.....		7,944,575	7,708,100	236,475
PASSENGER CAR MILES				
822	Passenger Coaches.....	234,356	262,402	-28,046
	Sleeping and Parlor Cars.....	185,961	231,193	-45,232
	Club, Lounge, Dining and Observation.....	56,345	64,295	-7,950
	Business.....	1,623	2,309	-686
	Mail, Express and Baggage.....	546,688	592,091	-45,403
	Combination Passenger and Baggage.....	257	256	1
	Passenger Car Miles in Freight Trains.....		1,155	-1,155
Total Passenger Car Miles.....		1,025,230	1,153,701	-128,471
Total Revenue Car Miles.....		8,939,805	8,861,801	108,004
825	Non-Revenue Service Car Miles.....	279	5,915	-5,636
TOTAL CAR MILES.....		8,970,084	8,867,716	102,368

—Decrease

PROPERTIES—ROAD, EQUIPMENT AND GENERAL

	Total	Road	Equipment	General Expenditures	Other
Balance, January 1, 1965	\$ 10,540,151	\$ 6,903,471	\$ 4,950,986	\$ 322,583	\$ -1,636,889
Additions	904,522	94,916	786,883		22,723
Total	11,444,673	6,998,387	5,737,869	322,583	-1,614,166
Retirements	278,372	19,535	247,983	182	10,672
Balance, December 31, 1965	\$ 11,166,301	\$ 6,978,852	\$ 5,489,886	\$ 322,401	\$ -1,624,838

Principal additions to property consisted of the following:

ROAD:

Grading for extension of industrial lead track, College Park, Ga.	\$ 7,464
Lead track, South Perimeter Industrial Park, College Park, Ga.	23,692
Industry track, Merry Brothers Brick and Tile Co., College Park, Ga.	6,310
Remodel express building for station, West Point, Ga.	6,212
Switching track, South Perimeter Industrial Park, College Park, Ga.	5,722
One-fourth interest in Plassermatic tamping machine	16,396
	<u>65,796</u>

EQUIPMENT:

Seven 70-ton cushioned underframe box cars	\$114,075
Fifty 70-ton D. F. box cars	662,421
	<u>\$776,496</u>

INVESTMENT IN ROAD, EQUIPMENT AND GENERAL FOR YEAR ENDED DECEMBER 31, 1965

ROAD	Additions	Retirements	Net Total
1 Engineering		\$ 91.53	\$ -91.53
2 Land for transportation purposes	\$ 6,920.97	5.96	6,915.01
3 Grading	8,414.00		8,414.00
6 Bridges, trestles and culverts	1,448.47		1,448.47
8 Ties	13,807.45	2,352.71	11,454.74
9 Rails	10,694.67	1,347.37	9,347.30
10 Other track material	8,202.25	1,165.05	7,037.20
11 Ballast	9,337.20	60.26	9,276.94
12 Track laying and surfacing	8,926.05	506.62	8,419.43
16 Station and office buildings	6,211.72	177.48	6,034.24
17 Roadway buildings	266.00		266.00
18 Water stations		150.89	-150.89
26 Communication systems	1,253.66		1,253.66
27 Signals and interlockers	960.15	1,011.34	-51.19
37 Roadway machines	17,615.20	12,611.76	5,003.44
39 Public improvements—Construction	858.56	54.25	804.31
Total expenditures for road	94,916.35	19,535.22	75,381.13
EQUIPMENT			
52 Other locomotives	844.50	104,045.90	-103,201.40
53 Freight-train cars	780,456.20	57,832.02	722,624.18
54 Passenger-train cars		83,102.77	-83,102.77
57 Work equipment		3,002.17	-3,002.17
58 Miscellaneous equipment	5,582.13		5,582.13
Total expenditures for equipment	786,882.83	247,982.86	538,899.97
GENERAL AND OTHER			
Adjustments to recorded valuation		10,672.73	-10,672.73
Work in progress	22,723.31		22,723.31
Miscellaneous		181.64	-181.64
Total expenditures for general and other	22,723.31	10,854.37	11,868.94
TOTAL	\$904,522.18	\$278,371.72	\$626,150.04

—Decrease

EQUIPMENT OWNED

December 31, 1961 to 1965

	1965	1964	1963	1962	1961
Diesel Locomotive Units	10	11	11	11	11
Average Age (Years).....	14.90	13.81	12.81	11.81	10.81
Freight Train Cars:					
Box.....	385	343	344	362	362
Flat.....	22	22	22	24	24
Gondola.....	24	24	52	53	53
Hopper.....	73	75	75	82	86
Racks.....	45	45	45	45	45
Caboose.....	6	6	6	7	8
Total Freight Equipment.....	555	515	544	573	578
Tonnage Capacity of Freight Equipment.....	28,970	25,986	27,860	28,660	28,860
Average Age (Years).....	17.14	18.62	18.07	19.36	18.49
Passenger Train Cars:					
Coaches.....	6	6	6	6	6
Sleeping.....	1	4	4	4	4
Dining.....	1	1	1	1	1
Combination Mail and Baggage.....	1	1	1	1	2
Baggage, Express and other Non-Passenger Carrying Cars.....	2	7	7	7	7
Total Passenger Train Equipment.....	11	19	19	19	20
Investment in Above Equipment:					
(December 31).....	\$ 5,389,813	\$ 4,853,493	\$ 4,943,208	\$ 4,771,785	\$ 4,789,557
Investment in Company Service Equipment.....	100,073	97,493	100,304	100,094	84,801
Total Investment in Equipment	\$ 5,489,886	\$ 4,950,986	\$ 5,043,512	\$ 4,871,879	\$ 4,874,358

EQUIPMENT OBLIGATIONS, DECEMBER 31, 1965

Description and Date	Amount	Unpaid Dec. 31, 1965	Installments Payable	Interest Rate Percent	Final Payment Due or Paid	Matured or Paid During Year 1965
Conditional Sale Agreements:						
December 16, 1950.....	\$ 513,000.00	\$ 4,198.00	Monthly	2.85	Mar. 1, 1966	\$ 25,188.00
April 1, 1952.....	413,100.00	48,246.00	Monthly	3.00	Oct. 19, 1967	26,316.00
October 1, 1952.....	151,800.00	20,240.00	Quarterly	3.25	Nov. 1, 1967	10,120.00
February 15, 1956.....	220,823.79	79,063.05	Monthly	3.35	July 1, 1971	14,921.28
February 15, 1956.....	242,601.15	84,906.36	Monthly	3.35	Apr. 1, 1971	16,172.64
October 10, 1960.....	248,400.00	165,600.00	Quarterly	4.50	Jan. 1, 1976	16,560.00
April 16, 1963.....	236,400.00	197,000.00	Quarterly	4.20	May 1, 1978	15,760.00
February 9, 1965.....	114,011.10	108,943.90	Monthly	4.50	May 1, 1980	5,067.20
May 19, 1965.....	655,524.00	637,315.00	Monthly	4.75	Aug. 1, 1980	18,209.00
Total	\$ 2,795,660.04	\$ 1,345,512.31				\$ 148,314.12



Read McTully & Co.

1-66

